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## Student debt, continued

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### Student debt, continued



There has been much written about the problem of student debt and, in this space, I, like many educators, have challenged the notion that it is a significant problem, despite the hyperventilating over the topic. A quick review of the numbers:

1. More than 25% of students graduate with no debt (that is closer to 33% for CSB and SJU)
2. According to CIC (Council of Independent Colleges) data, the median private school graduate with debt owes less than \$20,000 (for CSB and SJU that number is about \$28,000)

3. The lifetime **return on investment for a bachelor's degree** is between \$500,000 to over \$1M depending on degree.
4. A **sober analysis** by the Brookings Institute concludes: "The average growth in lifetime income among households with student loan debt easily exceeds the average growth in debt, suggesting that, all else equal, households with debt today are in a better financial position than households with debt were two decades ago.."

For the typical student, the evidence in favor of borrowing at these levels to earn a bachelor's degree – based on ROI alone – is overwhelming.

There is an important caveat to this strong conclusion about the borrowing: the calculation gets much more complicated and nuanced for **post-graduate education**. Graduate students currently make up about 14% of the total student population but owe 40% of the \$1T+ student debt. This is where the problem of student debt might be real.

Careful analysis is complicated by the fact that not all graduate degrees are created equally. No tears need be shed for a physician who holds six figure student debt. Even doctors at the lower end of physician pay scales (pediatricians and family practice doctors) will easily pay off those debts and earn a nice return on their investment in education. On the other hand, earning a Ph.D. in the humanities\* does not promise a highly paid job, in part because job prospects are so uncertain.

Unlike a bachelor's degree which is typically not very specialized (especially in the liberal arts), there is the real chance that a student might finish a graduate degree and find no work in the specialized area their degree has prepared them for. While any graduate degree will increase the skills and knowledge of its recipient, the marginal benefit from such a degree relative to a bachelor's degree alone might well be small, even if they can find work in a their specialized field. Again, as the evidence above indicates, that is not true for the typical bachelor's degree holder as they compare their returns to a high school diploma.

For every student considering a graduate degree, the basic question is this:

Is my graduate program and the job market I am going into more like medicine or more like the humanities?

When I advise students about graduate school I tell them to think of graduate school like a vocational degree:

- 1. What jobs and career paths are available to me with a graduate degree that are not available without it?*
- 2. What does the job market look like for these career paths over the next 40 years?*
- 3. How much will it cost me in terms of money and time to earn this degree? (Here the amount of financial aid matters—and humanities Ph.D. students will typically get more than a medical student.)*
- 4. How much more will I love my best possible graduate-degreed career path than my most attractive option with a bachelor's degree?*

None of this is to suggest that graduate school is a bad choice. Nearly two-thirds of College of Saint Benedict and Saint John's University will earn some kind of graduate degree, which is not unusual for liberal arts college graduates. But the decision to earn a specialized graduate degree is a different one than to earn a broad and flexible bachelor's degree. And, for the most part, the student loan "crisis," to the extent the term is accurate, is largely a function of individuals who did not examine that distinction carefully and are paying for it each month.

\* This example is certainly not to denigrate my many humanist friends (or my wife) or diminish the importance of the humanities, which are central to the liberal arts mission. It is simply a clear-eyed look at the current job market in this field.

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By [Michael Hemesath](#) | November 24th, 2014 | Categories: [Economics](#), [Higher Education](#) | [0 Comments](#)

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Michael Hemesath is the 13th president of Saint John's University. A 1981 SJU graduate, Hemesath is the first layperson appointed to a full presidential term at SJU. You can find him on Twitter [at] [PrezHemesath](#).